



A STUDY ON FINANCIAL PERFORMANCE OF SELECTED PSU STEEL COMPANIES

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ABSTRACT

With an output of 9.8 MT in October 2021, India was the second-largest producer of crude steel in the world. FY21 had a 102.49 MT of crude steel production, while the finished steel output was at 94.66%. India's crude steel output is expected to rise by 18 percent in FY22, to 120 million tonnes, due to increased demand from consumers. The availability of iron ore and low-cost labour in India has been a major driver of the steel industry's expansion in India. As a result, India's manufacturing output has benefited greatly from the steel industry. Modern steel mills in India's steel industry are state-of-the-art. It has always sought to improve the energy efficiency of its older facilities and modernise them. Primary, primary, and secondary producers all fall under the umbrella term "Indian steel industry." An analysis of financial data for the years 2016-17 to 2020-21 has been carried out by the researcher in this study.

KEYWORDS: Financial Performance, PSU, Steel.

INTRODUCTION:

With a crude steel output of 9.5 MT in September 2021, India was the world's second-largest producer. FY21 had a 102.49 MT of crude steel production, while the finished steel output was at 94.66%. India's crude steel output is expected to rise by 18 percent in FY22, to 120 million tonnes, due to increased demand from consumers. At 93.43 metric tonnes (MT), finished steel consumption in FY21 was a record high. Final steel output in May 2021 amounted to 7.8 MT. There was 1.30 MT of crude steel production and 1.27 MT of saleable steel production in June of 2021, SAIL's total output. On the heels of a 29 MT capacity addition, steel producers are looking to recommence growth projects. There was a total usage of 49.11 MT of finished steel between April 2021 and September 2021.

Steel consumption is predicted to rise by 17% to 110 million tonnes in FY22, primarily due to an increase in construction activity. It is expected that Tata Steel's yearly capacity will increase from 34 MTPA to 55 MTPA by 2030 in India. From 34 million tonnes per year to 55 million tonnes per year, Tata Steel plans to increase its annual capacity in India by 2030. Exports of finished steel totaled 7.75 MT while imports of finished steel totaled 2.37 MT in FY22 (until September 2021). As of April 2021, India's exports were up 121.6% year-over-year (YoY) over the prior year. A total of 8.24 MT of finished steel was exported from India in FY20.

Per capita steel consumption in India increased by 4.43 percent between FY08 and FY19, from 46 kilogrammes to 74 kilogrammes. According to the National Steel Policy 2017 and allowing 100% FDI in steel sector, the government has taken numerous measures to support this industry... Department for Promotion of Industry and Internal Trade (DPIIT) statistics shows a \$16.0 billion inflow of foreign direct investment (FDI) into Indian metallurgical sectors between April 2000 and June 2021.

To achieve a per capita steel consumption of 160 kg by 2030-31, the government has set a goal in its National Steel Policy 2017. In addition, the government has advocated a policy that requires notified steel goods covered by preferential procurement to have a minimum value addition of 15%. In an effort to cut down on imports, the government implemented a Steel Scrap Recycling Policy in 2019. Developments in many industries are also benefiting the industry. There will be a reduction in steel prices due to the Vehicle Scrappage policy because outdated vehicles can be recycled and reused under this new policy. The demand for oxygen cylinders for COVID patients is now outpacing the capacity of major steel producers. Steel Authority of India Limited (SAIL) would supply Indian Railways with approximately 11 lakh tonnes of steel in 2021 for the renewal and construction of new railway lines across the country.

Investment in a steel plant in Jammu and Kashmir by JSW Steel is expected to be completed by October 2021, with an investment of Rs. 150 billion (US\$ 19.9 million). By 2021, ArcelorMittal and Nippon Steel Corporation's joint venture steel firm in India would invest a total of Rs. 1 trillion (US\$ 13.34 billion) in expanding its activities in India over the next decade. The approved specialty steel production-linked incentive (PLI) scheme had its rules issued by the government in October 2021. In October 2021, India and Russia inked an agreement to conduct research and development in the steel industry and to generate coking coal (used in steel making). Steel companies have firmed up their plans to invest Rs. 60,000 crore (US\$ 8.09 billion) over the next three years, according to CII president and

MD of Tata Steel Mr. T.V. Narendran in an interview with The Telegraph in June 2021. Mr. Narendran stated that this was the largest private sector investment plan announced recently.

According to a MoC that was signed in January 2021, India and Japan agreed to work together to increase steel production through collaborative operations in accordance with the framework set up by the India-Japan Steel Dialogue. As of July 2021, the Union Cabinet has approved a PLI programme for special steel. An estimated investment of Rs. 400 billion (US\$ 5.37 billion) and an increase in specialty steel capacity of 25 million tonnes (MT) are envisaged as a result of the scheme. CARE Ratings predicts that crude steel output in FY22 would rise by 8-9 percent YoY to 112-114 MT. Economic recovery, government spending, and increased liquidity will fuel this demand. At \$5.54 lakh crore (US\$ 74.60 billion), the budget for capital expenditures (capex) has increased by 34.5 percent year-on-year. The budget aims to boost the economy by building infrastructure and industry. In addition, increased investments in critical areas like defence, rail, and roads, transportation, and highways would spur demand for steel.

LITERATURE REVIEW:

For public sector firms and Bharat Heavy Electricals Limited, Joshi (2000) attempted to examine the influence of ownership change on financial performance. BHEL's pre- and post-disinvestment financial performance has been evaluated using a variety of financial ratios. He also employed a SWOT analysis to support his choice of BHEL for his research. Joshi found in his research that disinvestment is a good answer for public sector enterprises like BHEL, which compete in a globally competitive environment, because it has resulted in greater profitability and operational efficiency.

"Financial Performance of Divest Central PSUs in India: An Empirical Study on Select Dimensions" by Gupta (2011) has revealed the financial performance of divested CPSEs in India from 1986-87 to 2009-10 on both pre and post-disinvestment basis. The author of this essay argues that CPSEs continue to suffer challenges even after disinvestment, which is why even a tiny amount of disinvestment has failed to provide the anticipated benefits. He also points out that these issues are caused by government involvement and delegation of operational and functional authority to managers, among other things, as well as excessive costs and a non-competitive industrial structure in operational efficiency.

"Disinvestment and Performance of Profit and Loss Making CPSEs in India" by Singh (2015) examines the influence of profit & loss making CPSE disinvestment on investment, employment, financial strength and corporate liquidity. The author of this paper came to the conclusion that, while staff efficiency in resource usage has increased in both profit- and loss-making CPSEs following disinvestment, profitability and operational efficiency have decreased in profit-generating CPSEs.

There was "A general study on public sector undertakings: growth of PSUs and how effectively financially managed our PSUs." Compared to private sector enterprises, the author found that PSUs can be successfully and fiscally managed. A brief history of PSUs, financial management in public sector enterprises (PSEs), the function of financial advisors in PSEs, and other topics are also covered in this article.

An analysis of 235 public sector undertakings (PSUs) by Gupta (2017) in his research paper "Public Sector Undertaking: Bharat's Other Ratna". The author points out that the PSUs are categorised into distinct 'Ratna' categories in order to enhance their performance. The author also noted that CPSEs can improve their performance through partial privatisation. 'Maharatnas,' the larger PSUs, outperform 'Navratnas,' the smaller PSUs, and private enterprises alike, according to the author. Gupta also advised that India raise funds through privatisation, disinvestment, and liquidation, which may be invests in public infrastructure through the National Infrastructure Investment Fund and not the budget as a revenue raising measure.

In her work "Partial Privatization and Firm Performance," Gupta (2006) asserts that partial privatisation was the starting point for the majority of the privatisation program's early stages. Partial privatisation is beneficial to profitability, production, and investment, as the author points out. There are times when the stock can be used to monitor and reward management performance, especially when the government owns most of the shares.

RESEARCH OBJECTIVE:

1. To analyse financial performance of selected PSUs steel companies
2. To compare the financial performance of selected PSUs steel companies

RESEARCH METHODOLOGY:

Sources of Data:

Secondary sources of data utilised for this proposed research study

Secondary data have been collected from Annual Reports.

Universe:

In the research study selected 2 PSUs steel companies.

Period of Data Coverage:

Five years of financial statements has been analysed for PSUs steel companies taken under study.

Analysis of Data:

The proposed statistical tools for the analysis of data are ratio analysis

DATA ANALYSIS:

Net Profit Margin

Company	2020-21	2019-20	2018-19	2017-18	2016-17
Steel Authority of India Ltd	5.57	3.27	3.25	-0.83	-6.37
NMDC Ltd	40.68	30.85	38.19	32.76	29.32

ANOVA

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	2785.895	1	2785.895	121.3523	4.1E-06	5.317655
Within Groups	183.6567	8	22.95709			
Total	2969.551	9				

Based on above ANOVA table it is concluded that, P value is less than significant value 0.05. It is concluded that there is significant difference in net profit margin ratio of selected PSUs steel companies of India.

Asset Turnover Ratio

Company	2020-21	2019-20	2018-19	2017-18	2016-17
Steel Authority of India Ltd	58.98	49.28	57.51	50.4	41.72
NMDC Ltd	41.78	37.56	40.8	40.59	34.34

ANOVA

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	394.6352	1	394.6352	13.66042	0.006077	5.317655
Within Groups	231.1116	8	28.88895			
Total	625.7468	9				

Based on above ANOVA table it is concluded that, P value is less than significant value 0.05. It is concluded that there is significant difference in asset turnover ratio of selected PSUs steel companies of India.

Current Ratio

Company	2020-21	2019-20	2018-19	2017-18	2016-17
Steel Authority of India Ltd	0.78	0.91	0.78	0.68	0.55
NMDC Ltd	1.91	2.63	2.6	2.5	3.09

ANOVA

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	8.15409	1	8.15409	83.17105	1.68E-05	5.317655
Within Groups	0.78432	8	0.09804			
Total	8.93841	9				

Based on above ANOVA table it is concluded that, P value is less than significant value 0.05. It is concluded that there is significant difference in current ratio of selected PSUs steel companies of India.

CONCLUSION:

From the above table it is concluded that NMDC Ltd has highest profit margin compare to SAIL through out last 5 years of study period. NMDC Ltd has more current ratio compare to SAIL which indicates that NMDC Ltd has more current assets to pay their current obligations. SAIL has utilised its assets more efficient way compare to NMDC Ltd.

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